

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 2506 - SB 2459**

February 14, 2016

**SUMMARY OF BILL:** Enacts the “Rural Sales Tax Holiday” by exempting from the state sales tax all tangible personal property sold within a rural county through in-person sales between 12:01 a.m. and 11:59 p.m. on the first Saturday following Thanksgiving Day, if the sales price of such property is \$1,500 or less per item.

Defines a rural county as any county with a population of 50,000 or less according to the 2010 federal census or any subsequent federal census.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Net Impact – \$6,596,300**

**Decrease Local Revenue – Net Impact – \$158,900**

Assumptions:

- According to the 2010 federal census, there are 66 counties in Tennessee with a population of 50,000 or less.
- According to the Department of Revenue, retail sales, excluding automobile and furniture sales, totaled \$1,013,144,319 in these 66 counties in November of 2015.
- First Saturday following Thanksgiving Day is considered to be part of the busiest sales time of the year. As a result, approximately 10 percent, or \$101,314,432 ( $\$1,013,144,319 \times 10.0\%$ ), of the total retail sales is estimated to occur during the 24-hour sales tax holiday upon passage of this bill.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The recurring decrease in state sales tax revenue is estimated to be \$6,835,492  $[(\$101,314,432 \times 7.0\%) - (\$101,314,432 \times 7.0\% \times 3.617\%)]$ .
- The recurring decrease in local sales tax revenue is estimated to be \$256,518  $(\$101,314,432 \times 7.00\% \times 3.617\%)$ .
- Fifty percent of tax savings will be spent in the economy on sales-taxable goods and services. Total tax savings are estimated to be \$7,092,010  $(\$6,835,492 + \$256,518)$ .
- The net recurring increase in sales tax revenue for the state is estimated to be \$239,242  $[(\$7,092,010 \times 50.0\% \times 7.0\%) - (\$7,092,010 \times 50.0\% \times 7.0\% \times 3.617\%)]$ .

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- The total recurring increase in sales tax revenue for the local government is estimated to be \$97,628  $[(\$7,092,010 \times 50.0\% \times 2.5\%) + (\$7,092,010 \times 50.0\% \times 7.0\% \times 3.617\%)]$ .
- The net recurring decrease in state revenue as a result of the bill is estimated to be \$6,596,250 (\$6,835,492 - \$239,242).
- The net recurring decrease in local government revenue as a result of the bill is estimated to be \$158,890 (\$256,518 - \$97,628).
- The implementation and administration of the rural sales tax holiday can be accomplished with the Department of Revenue's existing staff without an increased appropriation or reduced reversion.

### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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